

PX 115

From: Miguel Vias <[REDACTED]@ripple.com>
To: [REDACTED]
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Attachments: ExecutiveSummaryofXRPEscrowProposal.pdf

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Miguel Vias | Head of XRP Markets
[REDACTED]@ripple.com | www.ripple.com
T. [REDACTED]

Proposal to Consider XRP Escrow Schedule

Executive Summary

1. Our objective is to make XRP a liquidity tool for cross-border payments.
2. We want more XRP liquidity and while our efforts are helping, things are not moving as fast as we want.
3. As we look at the reasons why this is the case, the clear message we're getting is that the supply of XRP in the market is too uncertain for speculators to be comfortable being more active.
4. The root of this uncertainty is the fact that Ripple is sitting on 63B XRP that it *could* dump on the market at any time.
5. Placing the lion's share of Ripple's current XRP holdings into a transparently managed escrow account will remove that uncertainty and drive a material increase in XRP trading volume / liquidity. Of course, that delivers a lot of attractive benefits to Ripple.
6. As we assess the potential downside of this XRP 'lock up', we've come to the conclusion that the downside is very limited--this is largely a 'sleeves off our vest' proposal.
7. With BTC uncertainty, and an altcoin market that's heating up, now's the time to go for it.

Objective

We want to make XRP a viable asset to provide liquidity for cross-border payments. The objective of this proposal is to build the prerequisite liquidity to make that possible by first securing speculative liquidity. The proposal is successful if we:

- Generate at least [REDACTED] more 2017 XRP bookings than currently forecast
- Stimulate immediate increase in volume and price appreciation
- Accelerate needed liquidity to support payment flows

Proposal Overview

Marketing survey results indicate the primary objections to buy centered around uncertainty with Ripple's holdings. Investor and capital market experts agree. Below is a proposal to address this headwind considering the 63B XRP we control:



Comparing the Status Quo

Another proposal is to do nothing at all. There are three views:

Scenario	Reality
Speculator market will continue to grow without any changes.	Though some growth is possible, XRP markets are unlikely to achieve the same level of robustness as traditional markets, or digital asset markets, without similar supply clarity.
Speculators are not needed as XRP is purpose built for payments.	The largest, healthiest markets in the world, all have significant speculator activity. Continuing down the road of building XRP markets without speculator interest is unlikely to lead to the necessary liquidity for payments.

Requirements for Operational Flexibility

Cash Flow

Cash flow is defined here as cash generated from the sale of XRP combined with any payments in XRP, including incentives and employee compensation.

Considering the impact of the proposal is to constrain supply, then we expect price appreciation and thus fewer XRP to meet our cash flow needs.

Future Lending

In healthy financial markets, professional traders borrow the assets for which they are making markets to minimize their balance sheet risk. We should set aside a pool of XRP for the

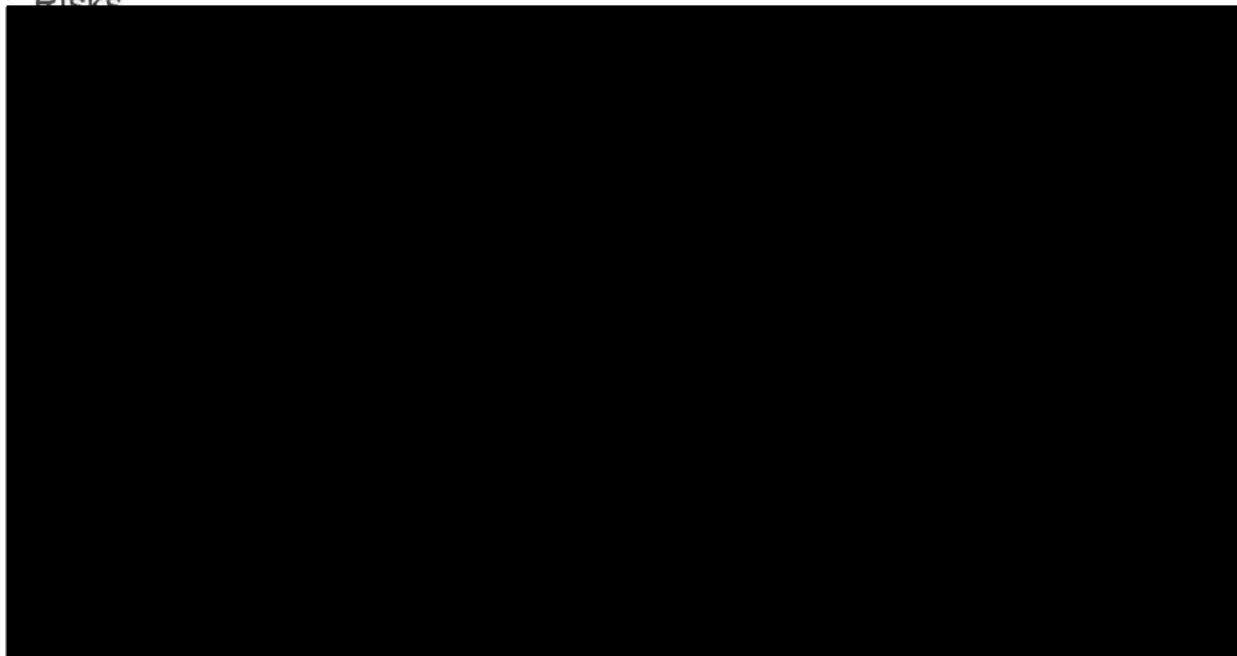
*Assume XRP is priced at \$0.035

Business Deals

Business deals can be designed around locked-up XRP. The XRP can be pledged but delivered in the future as part of any deal.

➤ *Recommendation: No special carve out.*

Risks

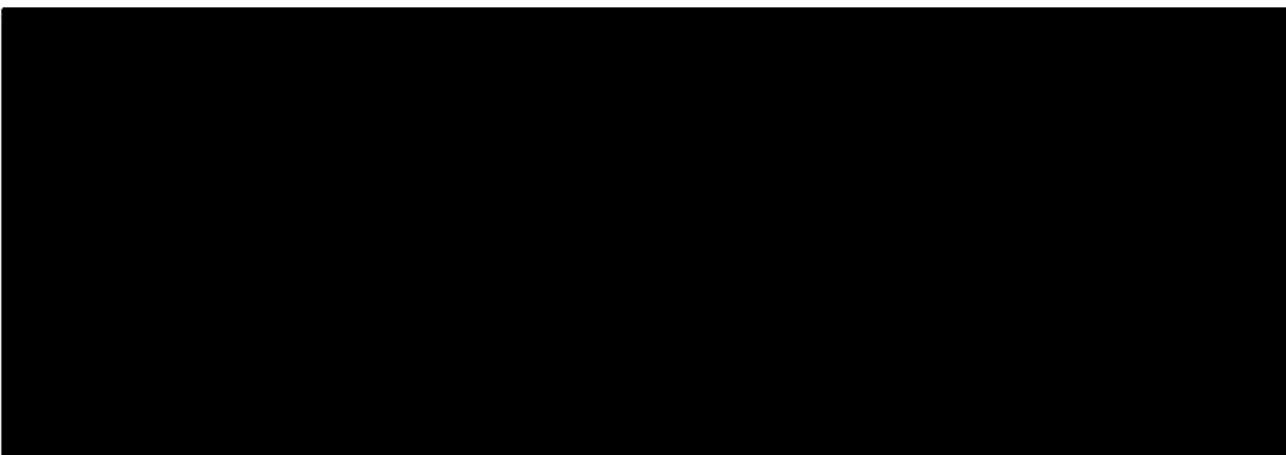


Rewards

Price Appreciation

The escrow schedule will help by:

1. Constraining supply, which limits the amount available for purchase.
2. Reducing the discount priced into XRP due to the uncertainty around supply.

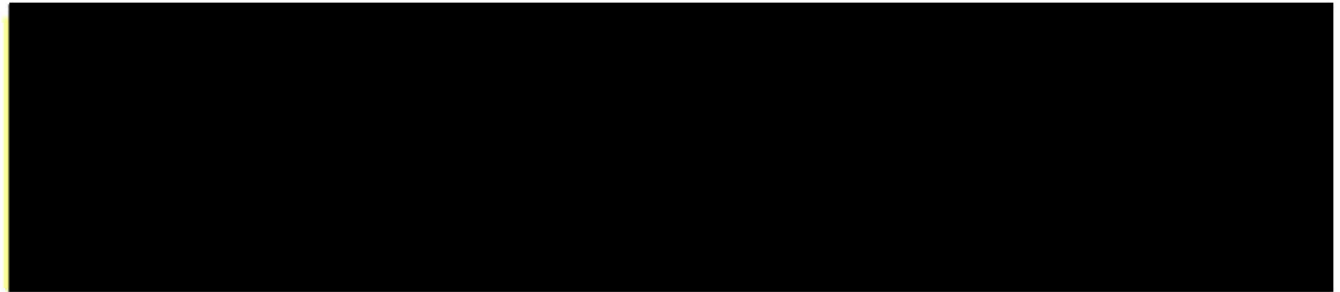


Volume Increase

Increased price volatility is generally accompanied by higher volume. XRP rallies in 2017 have seen daily volume levels between 25x and 150x higher than the preceding 1 month average

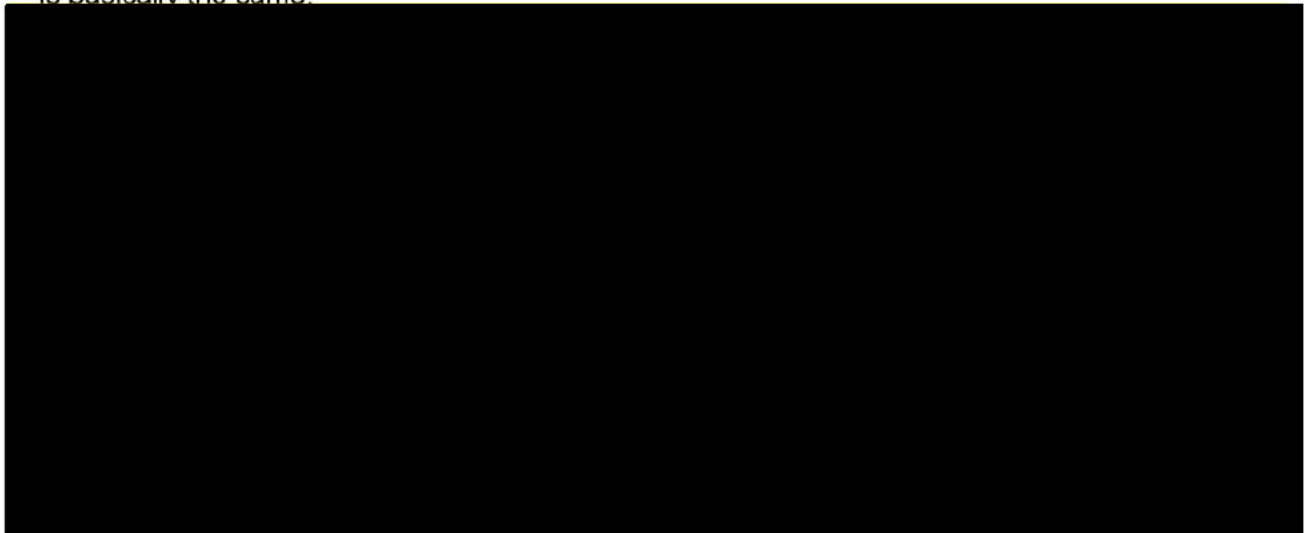
daily volume. If our very rough price estimate is correct, this means XRP could trade over \$1B in the day or two after the announcement, and stabilize near \$100MM in daily volume.

Bigger XRP Bookings Commitment



Higher Valuation

In the worst case scenario, assuming the price moves up modestly and investors apply today's illiquidity discount on top of the new discount for the time-based constraints, the real asset value is basically the same:



vest proposal for a potentially better enterprise value.

Why Now

With Bitcoin in crisis and the altcoin market heating up, the iron is hot. Now is the time to establish XRP as the emerging winner by dislodging ETH from the #2 spot.

Questions for Discussion

1. Are there other downside risks that have not considered?
2. How do you think about the potential downside risk?
3. Do you agree that XRP markets are not properly structured for optimal liquidity?
4. Have we answered the question on the need for speculators to drive long term liquidity? For example, is there a scenario where we 'skip' the speculator stage, get large payment volume, and build liquidity on the back of commercial flows?
5. Just as it was impossible to know the use cases of the internet in the age of the telegram, are there other uses of XRP that we can't imagine today for which we need more flexibility?
6. Are we giving up our role as "the Fed" of XRP and perhaps a bigger role as the central bank for the best virtual currency in the world? Are we thinking too small?